

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

<u>Request for Comments on the Procurement</u>)	
<u>of Default Service Power Supply for</u>)	D.T.E. 04-115
<u>Residential and Small Commercial and</u>)	
<u>Industrial Customers</u>)	

REPLY COMMENTS OF THE CAPE LIGHT COMPACT

The towns of Aquinnah, Barnstable, Bourne, Brewster, Chatham, Chilmark, Dennis, Edgartown, Eastham, Falmouth, Harwich, Mashpee, Oak Bluffs, Orleans, Provincetown, Sandwich, Tisbury, Truro, West Tisbury, Wellfleet, and Yarmouth, and the counties of Barnstable and Dukes, acting together as the Cape Light Compact (the “Compact”), a municipal aggregator under G.L. c. 164, § 134, hereby submit the following reply comments on the procurement of default service power supply for residential and small commercial and industrial customers in respect to the Request for Comments of the Department of Telecommunications and Energy (the “Department”) dated December 6, 2004.

**I. ANY STATEWIDE DEFAULT SERVICE PROCUREMENT PROCESS
MUST AVOID INAPPROPRIATE SUBSIDIZATION ACROSS SERVICE
TERRITORIES**

A number of commenters favor some form of statewide default service procurement while the Division of Energy Resources (“DOER”) strongly favors a process that yields a “uniform price statewide for [default service].” Initial Comments of DOER 5-6. Statewide standardization of default service procurement rules, procedures, timetables and contract terms and conditions potentially employs some of the best

components of schemes adopted in Maine, Maryland and New Jersey and could promote further development of a competitive retail market for small customers. Nevertheless, a statewide procurement regime should avoid a uniform default service price that results in the subsidization of one service territory's high congestion and Locational Installed Capacity ("LICAP") costs by the customers in another service territory. DOER has already tempered its proposal by acknowledging that "[Locational Marginal Pricing ("LMP")] differences should continue to be determined on a service territory basis." *Id.* at 6 n.3. The Compact supports DOER's ultimate policy objectives and urges the Department -- if it goes down this path -- to ensure that both LMP and LICAP differences continue to be determined on a service territory basis.

II. LONG-TERM CONTRACTS FOR RENEWABLE ENERGY WOULD BE AN APPROPRIATE MEANS OF PROMOTING INVESTMENT IN NEW RENEWABLE ENERGY GENERATION

The Compact strongly supports policies designed to promote the development of new renewable energy generation in New England. In their Initial Comments, the Union of Concerned Scientists, Massachusetts Public Interest Research Group, Massachusetts Energy Consumers Alliance, Clean Water Action and the Conservation Law Foundation (collectively, the "Environmental Organizations") propose long-term contracts for renewable power and/or renewable energy certificates ("RECs") in the procurement (individually or through a statewide process) of the portion of default service supply that must be derived from renewable energy pursuant to the Massachusetts Renewable Portfolio Standard. Initial Comments of the Environmental Organizations 11-16. The Compact believes that this proposal represents a reasonable means of promoting investment in new renewable energy facilities in New England. As it indicated

previously, the Compact would ask only that any such change in procurement policy promote, rather than undermine, municipal aggregation in Massachusetts. *See* Initial Comments of the Compact 5-7.

III. THE USE OF “BASIC SERVICE” TO DESCRIBE DEFAULT SERVICE WOULD MISLEAD CONSUMERS AND FRUSTRATE RETAIL COMPETITION

Some parties have suggested the use of the term “Basic Service” to describe default service. *E.g.*, Letter dated January 10, 2005 from Associated Industries of Massachusetts, *et al.* to Mary L. Cottrell, Department of Telecommunications and Energy 1 (arguing that “‘Basic Service’ describes the utility service, but contains no implication about other services and has no negative connotation”); Initial Comments of Massachusetts Electric Company and Nantucket Electric Company 14; Initial Comments of Western Massachusetts Electric Company 17 (arguing that “basic service” would be a “neutral” term).

The Compact believes that the name “Basic Service” is *not* neutral and would be misleading and anticompetitive. The term “basic” connotes no-frills service for a cost-conscious consumer. As one competitive supplier appropriately noted, “the term basic service would have the unfortunate effect of implying that the utility service was, by its nature, less expensive than service from a competitive supplier. That impression would often be untrue and would likely inhibit migration to competitive supply.” Comments of Constellation NewEnergy, Inc. and Constellation Energy Commodities Group, Inc. 8. That type of message is antithetical to the role of default service as a temporary service of last resort for a customer who has failed to select a competitive supplier or whose

competitive supplier fails to provide contracted services. G.L. c. 164, §§ 1 (definition of “Default Service”), 1B(b), 1B(d).

While the Compact continues to believe that the terms “Noncompetitive Service” or “Last Resort Service” are better descriptors of the type and purpose of default service as envisioned by the legislature, *see* Initial Comments of the Compact 7, the term “*Interim Service*” (or “Interim Generation Service”) may also be a useful alternative. The term “Interim Service” accurately implies that the service is not intended to be permanent but carries *no other message* regarding the nature of the service. *Cf.* Initial Comments of DOER 4 (suggesting that the name of default service should connote “what the legislature intended it to be: a *temporary source of power* for customers who were between competitive suppliers or otherwise not able to obtain competitive supply”) (emphasis added); Comments of National Energy Marketers Association 4 (“Whatever term is used should reflect the interim, temporary nature of the service as well as its premium pricing.”); Initial Comments of Strategic Energy, L.L.C. 9 (urging the Department to avoid “alternate names for Default Service that imply it is less expens[ive], safer, or better than competitive offerings”); *cf. also* Initial Comments of NSTAR Electric 28 n.9 (recommending that “any term be 16 characters or less in order to maximize compatibility with the Company’s billing system”).¹

¹ Although not as true to the spirit of default service as the alternatives suggested above, another reasonably workable alternative would be “Distribution Company Generation Service” (or, if the service is already identified as generation, simply “Distribution Company Service”). This would identify the generation service primarily by the fact that it is being provided by the distribution company but would arguably not carry a significant message regarding the “generic value” of the service, nor would it be branded with the name of the distribution company.

Respectfully submitted,

THE CAPE LIGHT COMPACT

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